

Competitive Sourcing

The President's Management Agenda (PMA) contains a set of programs established for improving the management and performance of the federal government. The PMA consists of five government-wide management reform initiatives and multiple agency-specific initiatives. Competitive sourcing is one of the five government-wide agenda items. The Office of Management and Budget (OMB) is responsible for creating competitive sourcing policy. OMB rates each agency quarterly to ensure the appropriate use of competitive sourcing. OMB Circular A-76 (revised May 2003) is the main policy document for this initiative.

Competitive sourcing principles in government go back to 1955, when President Eisenhower established a policy requiring federal agencies to determine whether the commercial activities performed by their employees could be provided more efficiently by the private sector. Competitive sourcing today takes this policy and uses competition to bring cost control to functions that support government operations, in essence allowing federal managers to become better stewards of taxpayer dollars.

The competitive sourcing process involves identifying positions that are commercial. Commercial positions provide services which can be performed by either a government or private sector source. Once commercial positions are identified, a business case is developed to determine whether or not a competition would make sense. Things such as risk of mission failure, private sector interest, potential for savings, and accessibility of workload information are used to make this determination.

Once the business case is approved by the Competitive Sourcing Official (CSO) of the Department, a competition is conducted under OMB Circular A-76 rules. This is a public-private procurement process and begins by developing a statement of the services being performed by the commercial positions identified in the business case. This statement of work is called a Performance Work Statement (PWS). After publication of the PWS, a government bid (called the Agency Tender), is developed for providing the services stated in the PWS. This bid can be vastly different than the current operation, in terms of size, technology, and business processes.

At the same time, interested private sector parties are also developing a bid based on the same PWS. The bids (government and private sector) are submitted to a contracting officer at the same time and are evaluated by a source selection team in accordance with the source selection plan and OMB Circular A-76. Once the team has made a decision, the winner is announced and begins gearing up to provide the service.

The success of competitive sourcing can be seen through the significant savings being achieved through the process. In FY2003 and FY2004 alone, 879 competitions were completed involving over 30,000 commercial positions. OMB estimates an annualized gross savings of \$552 million; quite a significant amount to achieve through one program.